



BAC 7710-FW-P

POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2017-11; Order No. 4024]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is announcing a recent filing requesting that the Commission initiate an informal rulemaking proceeding to consider changes to an analytical method for use in periodic reporting (Proposal Seven). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* September 15, 2017.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On July 28, 2017, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate an informal rulemaking proceeding to consider changes to an analytical method relating to periodic reports.¹ The Petition identifies the proposed analytical method changes filed in this docket as Proposal Seven.

II. Proposal Seven

The Postal Service explains that for many years it has calculated the “USPS Marketing Mail” dropship passthroughs for flats and parcels rate categories only with reference to the per-pound price element above the piece-pound breakpoint. For greater accuracy it proposes to include the per-piece price element below the breakpoint in the calculation. Petition, Proposal Seven at 1.

Background. As currently calculated, the traditional passthrough for “USPS Marketing Mail” flats and parcels divides the discount by the avoided cost as shown in Table 1 attached to the Petition.² The numerator is the per-pound discount above the breakpoint, for pieces above the breakpoint, versus origin-

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), July 28, 2017 (Petition).

² Petition, Excel file “Prop.7.Dropship_Passthroughs.xlsx,” column (h).

entered. The denominator is the average avoided cost per pound for all volume, both above and below the breakpoint, versus origin-entered. Petition, Proposal Seven at 1. The Postal Service states this has two shortcomings. The numerator does not include the other price element that varies by depth of entry, the per-piece price element below the breakpoint. *Id.* Second, the numerator and denominator are mismatched; the numerator represents volume above the breakpoint while the denominator represents volume both above and below the breakpoint. *Id.* at 1-2.

Proposal. The Postal Service proposes to calculate dropship passthroughs of “USPS Marketing Mail” flats and parcels rate categories to reflect both price elements that vary by depth of entry (per-pound above the breakpoint and per-piece below the breakpoint) as shown in column (i) of Table 1. *Id.* at 2. The Postal Service says this calculation now divides the entire value of the dropship discount, both per piece and per pound, by the total avoided cost. While the denominator can be expressed as either the total avoided cost per piece times the total number of pieces or the total avoided cost per pound times the total number of pounds, Table 1 opts for the former alternative, cost per piece times the total number of pieces $[(f) \times [(a) + (b)]]$. *Id.*

Impacts. The Postal Service states that the proposed methodology could provide a more accurate representation of passthroughs to ensure discounts do not exceed the Postal Service cost avoided as a result of dropshipping. *Id.* Under the proposal, one passthrough reported in the FY 2016 Annual

Compliance Report would have increased from 75.7 percent to 111.0 percent.³ If adopted, the Postal Service would seek to reset the passthrough at 100 percent or less in the next market dominant price adjustment proceeding or cite a statutory exception. Petition, Proposal Seven at 2-3.

III. Notice and Comment

The Commission establishes Docket No. RM2017-11 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's Web site at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Seven no later than September 15, 2017. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2017-11 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), filed July 28, 2017.

2. Comments by interested persons in this proceeding are due no later than September 15, 2017.

³ *Id.*; see Petition, Excel file "Prop.7.Dropship_Passthroughs.xlsx," columns (h) and (i).

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Stacy L. Ruble,

Secretary.

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